

Kobs & Draft
603 Third Avenue
New York, NY 10047
TE 692 4000

November 2, 1989

Mr. Tom Garguilo
Philip Morris
120 Park Ave.
New York, NY 10017

Dear Tom:

Per your request, attached please find a process flow chart that outlines the responsibilities that we expect Phillips & King to handle.

To summarize them, I'll list these requirements below (in no specific order):

- Review drop ship label sent from NICE/APEX
- Insert the appropriate cigarette packaging, along with the packing slip, into the mailing vehicle.
- Place appropriate label on package.
- Ship via UPS and keep a copy of UPS waybill.
- Create an invoice based on shipments sent out for Philip Morris.
- Send proof of shipment (TBD) to NICE/APEX weekly.
- Develop an inventory report that will also be sent to NICE/APEX weekly.
- Keep a log of orders received/orders shipped. This will be sent to both Philip Morris and Kobs & Draft(Timing TBD).
- Shipments will be handled on a weekly basis (Phillips & King need only send out the batch of labels they receive for the week. NICE/APEX must be certain they send labels for all orders that fall into that week).

Tom, these requirements were discussed and agreed upon by NICE/APEX and Kobs & Draft. They are not "set in stone", but are the requirements as we see them at this point.

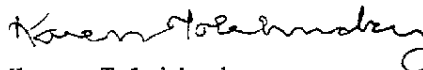
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However, there are still some issues to be resolved that could possibly have an effect on the final requirement listing:

- What are cartons being shipped in?
- Will a letter accompany each shipment?
- Does Phillips & King have any specific requirements (i.e. would they like the drop ship labels to be sent a certain way)?
- Where are the returns being held (at NICE/APEX or at Phillips & King?)

Tom, if you have any further questions, please call.

Best regards,



Karen Tolchinsky
Assistant Account Executive

KT:lp

MORcc: A. Aliksanyan
F. Ajamian
L. Guglielmone
J. Spector

K&Dcc: S. Florentino
P. Kennedy

APXcc: F. Sumner

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